

# Service Area Plan

## Department of Business Assistance

### Workforce Services Jobs Investment Program (53403)

## Service Area Background Information

### Service Area Description

This service area involves the management of the Workforce Services Jobs Investment Program (WSJIP). As a business development incentive supporting economic development efforts throughout Virginia since 1965, the program reduces the human resource development costs of new and expanding companies that are creating new jobs throughout the Commonwealth. WSJIP is an integral component of the State's economic development efforts.

### Service Area Alignment to Mission

This service area directly supports the Department of Business Assistance mission of promoting economic growth by helping Virginia businesses prosper. In FY05, the program assisted 520 companies involving 13,530 jobs and over \$4.5 billion in new capital investment to the Commonwealth.

### Service Area Statutory Authority

The workforce development program currently provided by the Department of Business Assistance began in 1965 under the Community College System. The Workforce Services Jobs Investment Program (originally titled The Industrial Training Program and then Workforce Services Program) was assigned to the Department of Economic Development in 1985 when the General Assembly amended the Department's legislation and included the responsibility "to train and retrain individuals for specific employment opportunities at new, expanding, or existing business facilities in the Commonwealth." In 1994, it was decided to offer consulting services involving productivity and continuous improvement to the program's scope to more effectively respond to today's business community and add a competitive edge to Virginia's economic development programs. In 1996, Workforce Services became a part of the newly created Department of Business Assistance (Code of Virginia, Chapter 32.2, §2.1-548.47.1).

### Service Area Customer Base

Customer(s)	Served	Potential
Businesses creating new jobs and retaining existing jobs	520	172,000
Economic Development and Workforce Training Agencies	50	136
Local and Regional Economic Development Offices	400	400

### Anticipated Changes In Service Area Customer Base

The implementation of a small business new jobs program; the WIA funded retraining program; and an economic development focused job retention retraining program has been well received by the business community. These new programs target businesses with less than 100 employees which comprise 97% of Virginia's business community. The level of services demanded by smaller businesses is much higher than their larger counterparts as they lack the staff to carry out necessary tasks for employee recruitment and training. To date, Workforce Services Project Managers have met that demand, but further increases may jeopardize the quality and timeliness of assistance.

Virginia's economic development efforts have been very successful and many high profile projects are in the start-up phase and beginning to request the funding that has been committed for recruiting and training. These projects and others will require multiple-year funding. More importantly, the size and quality of potential economic development projects are continuing to put pressure on the Workforce Services Jobs Investment Program's funding. These projects include major headquarter site locations involving thousands of high paying jobs.

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#### **Service Area Products and Services**

- New Jobs Program targets those economic development projects which involve competition with other states or countries. These projects may involve expansions of existing Virginia companies or new facility locations involving new jobs and capital investment.
- Small Business New Jobs Program focus on existing Virginia companies which have 250 employees or less companywide. These companies must be for-profit and creating new jobs and capital investment.
- Retraining Program supports companies that are upgrading the skills of its existing workforce because the company is undergoing an integration of new technology into its production processes, changing product lines in keeping with marketplace demands, or substantially changing its service delivery process requiring an assimilation of new skills and technological capabilities.

#### **Factors Impacting Service Area Products and Services**

Economic activity continues to be strong and demand for the program is increasing. WSJIP is only into the first quarter of FY06 and already a number of unanticipated economic development projects with high numbers of jobs and capital investment are requesting incentive packages. Depleted inventories and bringing new technologies to market are requiring companies to make quick decisions and projects that in the past took several years to unfold are now taking a matter of months. If activity continues to increase, WSJIP will need to take a hard look at its program offerings and criteria to limit access to funding. Should this need arise, it could impact the Commonwealth's competitiveness for economic development projects.

All of the States that compete with the Commonwealth for economic development projects offer a similar incentive to offset human resource costs (recruitment and training expenses) to employer's creating jobs. WSJIP has been consistently rated as one of the best such programs in the nation over the past five years according to a national survey of site consultants conducted annually by Expansion Management magazine. The top programs were recognized for value and ease of access to their clients. In the Incentive's 2000 edition, Virginia's WSJIP was ranked No. 3 in the Nation; fell to No. 5 in 2003 and No. 6 in 2004 primarily due to the funding cuts to the program. These cuts allowed programs in South Carolina, Georgia, and North Carolina to move ahead as they are now better funded and are offering \$2000 per job created in some instances vs. \$500 offered in Virginia.

#### **Anticipated Changes To Service Area Products and Services**

DBA has managed to increase the number of projects assisted despite absorbing a 43% budget cut since FY02. In order to remain competitive with other states and to meet the needs of economic development project growth, the Program must be funded and positioned to support the State's economic development marketing and retention effort. Many high profile economic development projects are in the start-up phase and will require the funding for recruiting and training that has been committed, subject to administrative and legislative program budget approval. These projects and others will require multiple-year funding.

In FY03 two new products were launched: the Small Business New Jobs Program and the Retraining Program. As program awareness has increased so has the demand for these programs.

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#### Service Area Financial Summary

WSJIP reimburses less than 50% of the actual training costs incurred by the company. The program reimbursements are performance based and the company does not receive any funds until the new jobs have been filled for 90 days. WSJIP does not participate in training for job attrition. In FY 99, the total appropriation for this program was \$15,797,074 with 22,081 jobs created at an average cost to the Commonwealth of \$715.41 per job. Funding for this program has been cut every fiscal year since with a 43% reduction over the last 3 fiscal years. Inquiries were up in FY05 by approximately 30% with WSJIP participating in 352 presentations to economic development prospects. In a typical year approximately 40% of WSJIP's projects are unknown at the beginning of the FY making budgeting very difficult. In both FY04 and FY05 nearly \$2 million in reimbursements were held over into the next fiscal year for payment. As a result, by the first quarter of FY06, the program is already becoming fiscally stressed. The economy appears to be growing with capital investment and labor demands increasing. The good news is that ROI's for the program are up because wages are increasing to compensate for the tighter labor market. The bad news is with the current level of funds almost committed, there is a high probability that DBA may be forced to refuse this important incentive for potential economic development projects by FY07.

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	<u>General Fund</u>	<u>Nongeneral Fund</u>	<u>General Fund</u>	<u>Nongeneral Fund</u>
<b>Base Budget</b>	\$8,198,680	\$0	\$8,198,680	\$0
<b>Changes To Base</b>	\$325,804	\$0	\$325,804	\$0
<b>SERVICE AREA TOTAL</b>	<b>\$8,524,484</b>	<b>\$0</b>	<b>\$8,524,484</b>	<b>\$0</b>

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## Service Area Objectives, Measures, and Strategies

### Objective 53403.01

#### ***Provide customized recruitment and training to qualified employers to create and retain jobs.***

WSJIP is an integral component of the State's economic development marketing efforts. This program is one of the most frequently utilized economic development incentives used to encourage existing companies to expand and to attract new business locations to the Commonwealth. Funding is expended only after the company makes the investment and creates the jobs.

#### **This Objective Supports the Following Agency Goals:**

- Provide marketing incentives for new and expanding Virginia businesses to create job opportunities by offering consulting services, recruiting, retaining, and funding assistance.  
( As the JLARC Review of Workforce Training in Virginia (conducted in November 2002) recognized, the purpose of DBA's Workforce Services program does not overlap with any other state workforce development program, since it is the only workforce development program that exclusively targets the business community and assists in training for specific jobs).  
  
"The only identified workforce training program exclusively targeting businesses is Workforce Services, which is administered by the Department of Business Assistance. This program provides an economic incentive for businesses to expand or relocate in Virginia. Services provided include financial assistance to train new workers and supportive services to assist businesses in developing training programs. Although the services and funding are provided to businesses, new workers ultimately benefit because they receive training subsidized by State payments to the company.")
- Provide for the effective management of DBA personnel and state resources.

#### **This Objective Has The Following Measure(s):**

- **Measure 53403.01.01**

##### ***Number of economic development projects funded.***

**Measure Type:** Output

**Measure Frequency:** Annually

**Measure Baseline:** 520 (FY05)

**Measure Target:** 520 (FY07)

##### **Measure Source and Calculation:**

WSJIP has an extensive database program custom designed to track all potential and active projects to include contact information; status of project; capital investment; jobs created; type of company; Virginia location; individual project budgets; project reimbursements; project notes; and other data required to manage the project and to respond to report requirements of the General Assembly; Governor's Office; Secretary of Commerce and Trade; Virginia Economic Development Partnership; and numerous other partners and allies in the economic development community.

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- **Measure 53403.01.02**

***Number of employees trained.***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** 13,350 (FY05)

**Measure Target:** 14,500

**Measure Source and Calculation:**

WSJIP has an extensive database program custom designed to track all potential and active projects to include contact information; status of project; capital investment; jobs created; type of company; Virginia location; individual project budgets; project reimbursements; project notes; and other data required to manage the project and to respond to report requirements of the General Assembly; Governor's Office; Secretary of Commerce and Trade; Virginia Economic Development Partnership; and numerous other partners and allies in the economic development community.

- **Measure 53403.01.03**

***Number of employees retrained.***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** 3,162 (FY05)

**Measure Target:** 2,500

**Measure Source and Calculation:**

WSJIP has an extensive database program custom designed to track all potential and active projects to include contact information; status of project; capital investment; jobs created; type of company; Virginia location; individual project budgets; project reimbursements; project notes; and other data required to manage the project and to respond to report requirements of the General Assembly; Governor's Office; Secretary of Commerce and Trade; Virginia Economic Development Partnership; and numerous other partners and allies in the economic development community.

**Objective 53403.01 Has the Following Strategies:**

- Support local, regional and state marketing team by giving presentations to economic development prospects; participating in RFP's; and including incentive information in State marketing proposals.
- Increase awareness, update partners and allies to include economic developers; community colleges; Workforce Investment Boards; and others on program criteria and offerings.
- Revise and enhance marketing materials to include interactive client CD.
- Visit local and regional partners to understand targeted industries; labor markets; recruitment and training resources to coordinate project start-ups and meet client needs.

**Objective 53403.02**

***Achieve return on investment within the first 12 months of the job being created.***

JLARC's State Business Incentive Grant Programs, published in November 2002, reported that the State recovers the cost of workforce training grants in a fairly short time period. The goal of the Program is to recover the State's investment within one year through income and sales taxes paid by each new job created.

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#### **This Objective Supports the Following Agency Goals:**

- Provide for the effective management of DBA personnel and state resources.

#### **This Objective Has The Following Measure(s):**

- **Measure 53403.02.01**

*Number of projects with 12 month return on investment.*

**Measure Type:** Outcome

**Measure Frequency:** Annually

**Measure Baseline:** 509 (FY05)

**Measure Target:** 520 (FY07)

**Measure Source and Calculation:**

Return on investment incentive table is provided by the Virginia Department of Taxation annually and is used to calculate income tax and sales tax revenues based on wages. WSJIP uses this table to gauge the scope of incentive which should be offered to economic development prospects. WSJIP has a policy of achieving return on investment within the first 12 months of the new job being created.

#### **Objective 53403.02 Has the Following Strategies:**

- Educate staff and partners on connection between income and sales taxes paid and State's investment in new jobs created by WSJIP projects.
- Limit project funding to annual ROI based on wages paid by new jobs.
- Maintain records to track project funding; jobs created; wages paid, etc.
- Negotiate with prospects and site consultants and give only "what it takes" to land project and limit State's exposure as much as possible.

#### **Objective 53403.03**

##### ***Increase overall customer satisfaction with program.***

WSJIP conducts an annual electronic client satisfaction survey regarding project managers' professionalism, accessibility, responsiveness, flexibility, and helpfulness. The survey also asks for feedback on the overall program's ease of use and responsiveness to their needs. FY04's annual customer satisfaction survey resulted in 99% of responding clients indicating that they would recommend the program to another company; 95% rating the program as excellent for ease of use; 85% responding excellent to responsiveness to needs; and 90% overall satisfaction with the program.

#### **This Objective Supports the Following Agency Goals:**

- Provide marketing incentives for new and expanding Virginia businesses to create job opportunities by offering consulting services, recruiting, retaining, and funding assistance.
- Provide for the effective management of DBA personnel and state resources.

#### **This Objective Has The Following Measure(s):**

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- **Measure 53403.03.01**

*Percent of satisfied customers.*

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** 85 percent (FY05)

**Measure Target:** 90 percent (FY07)

**Measure Source and Calculation:**

WSJIP conducts an annual electronic client satisfaction survey regarding project managers' professionalism, accessibility, responsiveness, flexibility, and helpfulness. The survey also asks for feedback on the overall program's ease of use and responsiveness to their needs.

**Objective 53403.03 Has the Following Strategies:**

- Design user-friendly survey allowing clients to quickly complete information in an effort to increase response rates.
- Have project managers personally follow-up with clients who do not return surveys regarding status.
- Collect survey information and compare with previous results.
- Identify comments and feedback from clients for continuous improvement items.
- WSJIP's director is a member and past-President of the National Association of Industry-Specific Training Directors which is a national association representing almost all 50-states. Through this association and its annual meetings, information is gathered and best practices benchmarked not only on all of the Commonwealth's competitor state's programs but also on other states that are using innovative ways to provide funding and services to companies.

**Objective 53403.04**

***Reduce administrative costs of program by eliminating paper files.***

WSJIP continues to streamline its work flow and paperwork resulting in an increase in project workload without increasing staff and administrative costs; decreasing the amount of paper handled by clients; and an overall increase in customer satisfaction. In FY02, Workforce Services designed and produced an interactive web-enabled program on CD Rom which contains information on all its service offerings, qualifying criteria, forms, staff directory, etc. This CD was produced completely by in-house expertise and has been a tremendous marketing tool for the program. This CD will be enhanced in FY06 to include a directory by region of recruitment and training resources with web based links. Previously, this information was in the form of a hand-out.

**This Objective Supports the Following Agency Goals:**

- Provide for the effective management of DBA personnel and state resources.

**This Objective Has The Following Measure(s):**

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- **Measure 53403.04.01**

*Number of paper files.*

**Measure Type:** Output

**Measure Frequency:** Annually

**Measure Baseline:** 1500 (FY05)

**Measure Target:** 375 (FY07)

**Measure Source and Calculation:**

WSJIP database program will be enhanced to incorporate scanned and digital documentation which previously were contained in paper master files. CD will be produced in-house.

**Objective 53403.04 Has the Following Strategies:**

- Enhance existing database to allow electronic documents to include applications; training outlines; client correspondence; press releases; etc. to be made a part of an electronic master file resulting in significant cost savings in the areas of administrative time and office supplies.
- Scan hard copy materials from clients into database rather than filed in paper master files.
- Educate and encourage clients to correspond; submit applications; invoices; etc. electronically and to utilize the Commonwealth of Virginias Electronic Data Interchange and the programs interactive client CD.
- Revise process flow and standard operating procedures to incorporate new procedures.
- Train staff on new procedures and enhanced database and use of CD for marketing to prospects.